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ACTION PM-05

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TO SECSTATE WASHDC PRIORITY 613

INFO AMEMBASSY ADDIS ABABA PRIORITY

AMCONSUL ASMARA

CINCSTRIKE

S E C R E T SECTION 1 OF 2 TEHRAN 1052

C O R R E C T E D C O P Y FOR TEXT. PARA 4.

PASS DOD

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FOR PM RE PINCUS-PAUL TRIP

SUBSTANTIVE DISCUSSIONS WITH PINCUS-PAUL TOOK PLACE IN
SIX MEETINGS: WITH AMBASSADOR, [REDACTED] ARMISH/MAAG, AND
CHIEF GENMISH ON MARCH 21; AGAIN WITH CHIEF ARMISH/MAAG
(ACCOMPANIED BY CHIEF ARMY SECTION GENERAL MATAKIS AND
EMBASSY REPS), AND LATER WITH AMBASSADOR ON MARCH 22.
[REDACTED]

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MEETING WITH AMBASSADOR

1. AMB DESCRIBED NATURE OF US INTERESTS IN IRAN (FAVORABLE TRADE BALANCE FOR US OF OVER \$200 MILLION; ONLY AIR CORRIDOR FROM EUROPE TO ASIA; SITE OF SPECIAL US FACILITIES WHICH CANNOT BE DUPLICATED ELSEWHERE); AND IN PERSIAN GULF (VITAL SOURCE OF OIL TO NATO ALLIES AND JAPAN, SITE OF SOME \$3.5 BILLION US INVESTMENTS, AND SOURCE OF NET BENEFIT TO US BALANCE OF PAYMENTS OF ALMOST \$2 BILLION PER YEAR, WHICH LIKELY INCREASE). AWARE UK WITHDRAWAL WILL LEAVE VACUUM WHICH RADICAL AND UNFRIENDLY ARAB REGIMES ANXIOUS FILL, IRAN RECOGNIZES IT FUTILE HOPE FOR USG GUARANTEE RE GULF AS WELL UNDESIRABLE FOR BIG POWERS TO DIRECTLY INTERVENE IN GULF AS THIS COULD MAKE IT ANOTHER EAST-WEST COCKPIT.

Army and DOS reviews completed Declassification/Release Instructions on File

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 IRAN THUS LOOKING FORWARD TO COOPERATIVE ARRANGEMENTS AMONG MODERATE GULF STATES, WHILE SIMULTANEOUSLY BUILDING UP MILITARY STRENGTH AS ONLY COUNTRY IN AREA WHICH CAN PROVIDE NEEDED MUSCLE IN SUPPORT OF GULF SECURITY.

2. AFTER NOTING BARRIERS TO IRAN-ARAB COOPERATION, AMBASSADOR DESCRIBED SHAH'S STATESMANLIKE POSITION ON BAHRAIN AND EFFORTS DEAL WITH GULF SHEIKDOMS ON BASIS OF EQUALITY. STRESSED US, WHILE DISCREETLY ENCOURAGING IDEA OF COOPERATIVE ARRANGEMENT AMONG GULF STATES AND IRAN, HAS CONSCIOUSLY REFRAINED FROM GIVING PUBLIC SUPPORT LEST WE GIVE CONCEPT KISS OF DEATH.

3. WITH END OF AID IN 1967 AND VIRTUAL END OF MILITARY MATERIEL GRANT AID, PROVISION BY US OF MILITARY ADVICE, TRAINING, AND SALES OF SOPHISTICATED EQUIPMENT HAS BECOME KEY ELEMENT IN US-IRAN RELATIONS. IRAN NOW IN POSITION TO PAY AS IT GOES TOWARD FURTHER MILITARY MODERNIZATION AND BUILD-UP. SHAH HAS HEALTHY APPETITE WHICH OUR CLOSE RELATIONSHIP HAS ENABLED US TO MODERATE ON IMPORTANT OCCASIONS. IMPORTANCE IRAN ATTACHES TO US MILITARY CREDITS HAS GROWN AS IRAN'S FINANCIAL RESOURCES HAVE COME UNDER MULTIPLE PRESSURES, I.E., OVERRUNS ON MAJOR DEVELOPMENT PROJECTS; ACCELERATION IN MILITARY BUILD-UP IN WAKE SUDDEN UK DECISION TO LEAVE GULF; AND SHAH'S INSISTENCE ON CONTINUING ECONOMIC AND SOCIAL REFORM AT SAME TIME AS MILITARY AND SECURITY BUILD-UP.

4. IN REPLY PINCUS QUESTION RE STATUS 1959 BILATERAL AGREEMENT, AMBASSADOR REVIEWED HISTORY OF IRAN-SOVIET RELATIONS; CONCLUDED THAT, WHILE RELATIONS GOOD ON SURFACE, IRANIANS NOT BELIEVE SOVIETS HAVE GIVEN UP TRADITIONAL GOAL OF ACCESS TO GULF. IRANIANS DO NOT EXPECT DIRECT SOVIET AGGRESSION UNLESS IN CONTEXT OF MUCH WIDER WAR, IN WHICH CASE THEY BELIEVE US WOULD INEVITABLY BECOME INVOLVED. SHAH, HOWEVER, IS GENUINELY CONCERNED RE THREAT TO GULF FROM RADICAL ARABS, BACKED BY SOVIETS. SHAH HAS STRESSED FOR SOME TIME THAT DAY IS LONG GONE WHEN GREAT POWERS SHOULD BE INVOLVED IN REGIONAL CONFLICTS. HE BELIEVES IRAN MUST BE ABLE MEET SUCH THREAT ITSELF AND IS WILLING PAY WAY IN DOING SO.

5. WHEN PAUL ASKED ABOUT BILATERAL CONTINGENCY PLANNING, AMBASSADOR REPLIED THERE HAS BEEN NONE. WHEN PINCUS SAID HE RECALLED SEEING DOD DOCUMENT FROM ABOUT 1965 RE BILATERAL PLANNING, AMBASSADOR AGAIN GAVE ASSURANCE THERE HAD BEEN NO SUCH BILATERAL PLANNING, THAT DOCUMENT PINCUS RECALLED COULD HAVE BEEN SOME TYPE

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OF US UNILATERAL ESTIMATE OR PLANNING EXERCISE BUT THAT ONLY
WASHINGTON WOULD KNOW ABOUT THAT. PAUL ALSO ASKED ABOUT CENTO
CONTINGENCY PLANNING; GENERAL TWITCHELL SAID ARMISH/MAAG IS NOT
INVOLVED IN SUCH PLANNING.

6. REPLIES TO OTHER PINCUS-PAUL QUESTIONS AS FOLLOWS:

- (A) UK DID NOTIFY US OF GULF WITHDRAWAL DECISION; US
UNSUCCESSFULLY SOUGHT DISSUADE THEM; REVERSAL OF DECISION SEEMS
VERY UNLIKELY.
- (B) IRAN HAS RESERVED POSITION RE GULF FEDERATION
PENDING SETTLEMENT OF BAHRAIN ISSUE; US HAS SUPPORTED UK
EFFORTS FORM FEDERATION QUIETLY AND FROM SIDELINES;
- (C) NEITHER JAPAN NOR WESTERN EUROPE, THOUGH AWARE
GULF'S IMPORTANCE TO THEM, APPEAR READY PLAY POLITICAL-SECURITY
ROLE IN GULF AREA;
- (D) IRAN'S INTEREST IN GULF ISLANDS (TUNBS AND ABU MUSA)
IS BASICALLY TO PREVENT THEIR FALLING INTO HOSTILE HANDS WHERE
THEY COULD BE USED TO INTERDICT MOUTH OF GULF;
- (E) IRANIAN CONCERN RE GROWTH OF IRAQI FORCES AND EQUIPMENT
DUE PARTLY TO FEAR OF IRRATIONAL ACTS BY IRAQI REGIME AND
GROWTH OF SOVIET PRESENCE THERE BUT ALSO TO FEAR OF IRAQI PLANS
FOR SUBVERSION IN GULF. OBJECT OF SHAH'S MILITARY BUILD-UP IS NOT
TO FIGHT WITH IRAQIS, BUT DETER THEM AND OTHER RADICAL ARAB REGIMES
FROM GULF ADVENTURES (AMBASSADOR MENTIONED IRAN DISTURBED BY PRSY
ATTACK ON SAUDI ARABIA LAST DECEMBER AND BY REPORTS OF OTHER SUB-
VERSIVE EFFORTS EMANATING FROM BOTH PRSY AND IRAQ.) GP-3.

MACARTHUR

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